

November 4, 2022

Deputy Director Sarah ten Siethoff
Securities and Exchange Commission
100 F Street, NW
Washington, DC 20549

VIA EMAIL & OVERNIGHT MAIL

Dear Ms. ten Siethoff:

Thank you for the time you and your team spent with us on the 26th of October discussing the viability of a reverse distribution mechanism (“RDM”) for money market funds (“MMFs”). As a follow-up to that conversation, we are writing to provide further information about two of the questions posed on our call, specifically:

1. Why requiring account statements to include both four-digit NAV and RDM calculations on individual shareholder account statements is not feasible at this time; and
2. How the IRS might treat the use of RDM by investors.

We also would like to take this opportunity to reinforce our belief that providing fund boards with the option to utilize either a RDM or four-digit NAV is the right solution and doing so will ensure that at the time of any new MMF rule adoption the fund’s disclosure documents can adequately reflect these options. The actual choice of which option to utilize (which may not be relevant for many years – or ever) will only need to be made at the point in time in the future when such methodologies become necessary.

1. *Why requiring account statements to include both four-digit NAV and RDM statements is not workable?*

As noted in our letter on the 30th of August, 2022, we investigated the feasibility of including a side-by-side comparison table on each account statement, however after consultation with our operational staff it became clear that system limitations similar to those that prevent intermediaries from moving to a four-digit NAV could also come into play in the preparation of account statements, making the inclusion of a comparison table on each account statement problematic. This is why in our mock account statement we included clear disclosure on the use of a RDM and a direction for investors to refer to the fund’s prospectus for more information.

We have again confirmed with one of the largest transfer agents that their system/platform is unable to ingest the two prices/NAVs necessary to perform a dual calculation for a single CUSIP (fund or class of shares).

As we understand it, because the transfer agent is only able to run one type of calculation (RDM or four-digit NAV), the shareholder statement is not able to reflect both methodologies. To calculate a daily “dynamic” comparison of RDM methodology against the use of a 4-digit FNAV, a transfer agent would need to accept two separate NAV’s from the fund accounting agent (the \$1.00 CNAV and the 4-digit FNAV). The system would then be required to:

Deputy Director Sarah ten Siethoff
Securities and Exchange Commission
November 4, 2022
Page Two

- Run the 4-digit FNAV against the outstanding shares (post trade posting) to calculate end-of-day value of the account;
- Run the CNAV (\$1.00) and the RDM Factor (calculated by the asset manager) against the account value to extract RDM shares/fractional shares from the account to calculate a new account value at \$1.00 less the extracted shares/fractional shares; and
- Reflect both methodologies on-line, via client refresher transmissions, and on statement files delivered to statement printer.

We further believe that all third-party recordkeepers (brokerage platforms, trust accounting platforms, wealth management platforms, 401(k) recordkeeping/TPA platforms) which would also need to be able to utilize both methodologies will not be able to do so concurrently and reflect such methodologies on their respective statements, nor will recordkeepers be willing to program for such a scenario.

While we have included additional information as to why the inclusion of both four-digit NAV and RDM statements is not workable, we do appreciate that there may be a desire to do more than refer to the fund's prospectus for provision of an example which illustrates how shareholders are treated equally, and are in the same position, regardless of which methodology is used. Therefore, we suggest that in addition to including the examples in the prospectus and shareholder notifications, copies of the example could be included in each account statement as a stand-alone document.

In addition, to provide a dynamic example for investors, we are exploring the feasibility of including on our website a daily hypothetical of an initial investment of \$10,000 with a side-by-side illustration using both methods, based on current yields, to provide a further point of reference for investors. While we believe the previous disclosure examples provided are more than adequate to ensure that investors have the information necessary to understand how RDM works, if this additional point of disclosure is something the Securities and Exchange Commission ("Commission") believes could be helpful to investors, we would be happy to further pursue development to determine its feasibility.

Notwithstanding the aforementioned operational limitations, and while we believe a reference in the account statement to the fund's prospectus could be sufficient to provide investors with access to a simple comparison table, we have noted the ability to include alongside the account statement a stand-alone static comparison table and the willingness to further explore the feasibility of posting a daily hypothetical which would provide a dynamic comparison on the application of RDM as compared to the use of a four-digit NAV.

2. How the IRS will respond to the use of RDM by investors, in particular ensuring that tax treatment under both the four-digit NAV and RDM methodologies treat shareholders equally.

As we noted on our call significant effort was made by the ICI and a sub-group of the ICI Tax Committee with regard to RDM, discussing preliminary guidance for its treatment by the IRS. Federated Hermes, along with other industry participants, had numerous discussions with IRS National Office and Treasury Department personnel, but in the end, we were informed that the IRS would not take any action unless and until the SEC approved the use of RDM.

Deputy Director Sarah ten Siethoff
Securities and Exchange Commission
November 4, 2022
Page Three

Conceptually, if RDM is approved by the Commission, it is our belief that the IRS should issue guidance which would treat all MMF shareholders, regardless as to whether their account balance is reduced via a RDM or the use of a four-digit NAV, equally. A reduction in value of a shareholder's account caused by negative rates should have the same overall tax impact regardless of whether the reduction in value is reflected in a reduction of the number of shares valued at a dollar or a decline in NAV of shares owned. Obviously, further involvement of the IRS will yield a more definitive answer.

We hope that the information provided in this letter and, in particular, our two follow-up responses to the questions raised on our call are helpful to the Staff as you continue to work through any remaining issues / concerns on the use of RDM.

We hope that after reviewing not only the additional information provided herein, but also the examples of plain English disclosure we previously provided, alongside the additional examples provided by the ICI and SIFMA, will give the Commission the comfort it is looking for to permit the use of both a four-digit NAV and RDM.

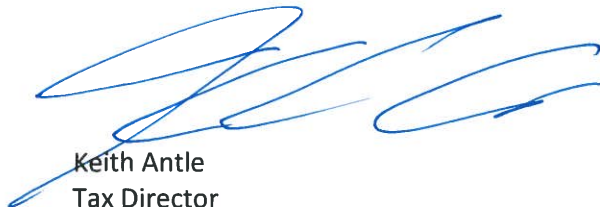
We remain very concerned that the Commission's proposal to mandate U.S. Government MMFs move to a four-digit NAV in a negative rate environment could lead to a loss of at least \$1 Trillion in U.S. Government MMF assets via traditional sweep accounts and up to an additional \$1 Trillion in assets invested into U.S. Government MMFs which are made as position trades. These position trades are entered into the cash sweep system manually at the end of the day. The position trades include, but are not limited to, investor funds relating to special items, such as mass-tort settlements, M&A, stimulus money, securities lending, and custody. This combined \$2 Trillion in U.S. Government MMFs is currently invested in direct obligations of the U.S. Treasury, obligations of U.S. Government Sponsored Enterprises, or in repurchase agreements collateralized by these securities. Movement out of these investments would remove a stable source of support for these vital markets, as well as a source of funding for the Federal Government. These assets would most likely shift from U.S. Government MMFs into lower yielding bank deposit accounts or other less transparent products, which would disrupt the liquidity and functioning of these important markets, and would deprive investors of a market rate of return.

We very much appreciate your continued consideration on the use of RDM and we will continue to make ourselves available for any further follow-up questions or discussions as you deem appropriate.

Sincerely,



Gregory P. Dulski
Chief Regulatory Officer
Federated Hermes Limited



Keith Antle
Tax Director
Federated Hermes, Inc.

cc: Peter J. Germain